1	EDMUND G. BROWN JR.
2	Attorney General of California  GREGORY J. SALUTE  Supervising Deputy Attorney General
3	Supervising Deputy Attorney General NANCY A. KAISER
4	Deputy Attorney General State Bar No. 192083
5	300 So. Spring Street, Suite 1702 Los Angeles, CA 90013
6	Telephone: (213) 897-5794 Facsimile: (213) 897-2804
7	Attorneys for Complainant
8	
9	BEFORE THE CALIFORNIA BOARD OF ACCOUNTANCY
10	DEPARTMENT OF CONSUMER AFFAIRS STATE OF CALIFORNIA
11	
12	In the Matter of the Accusation Against,  Case No. AC-2009-19
13	CHOI, DOW, IAN, HONG & LEE, CPA'S, A PROFESSIONAL CORPORATION
14	3435 Wilshire Blvd., Suite #1700 Los Angeles, CA 90011  ACCUSATION
15.	Certified Public Accountancy Corporation Certificate No.
16	COR 4132
17	Respondent.
18	
19	Complainant alleges:
20	PARTIES
21	1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as
22	the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.
23	Corporation Certificate
24	2. On or about March 2, 1995, the California Board of Accountancy (Board) issued
25	Certified Public Accountancy Corporation Certificate No. COR 4132 to Choi, Dow, Ian, Hong &
26	Lee, CPA's, a Professional Corporation (Respondent). The Certified Public Accountancy
27	Corporation Certificate was due to expire on March 31, 2009. Prior thereto, the corporation was
28	dissolved, and Certificate No. COR 4132 was cancelled on January 2, 2009.
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## JURISDICTION

3. This Accusation is brought before the Board, Department of Consumer Affairs, under the authority of the following laws. All section references are to the Business and Professions Code unless otherwise indicated.

#### STATUTORY PROVISIONS

- 4. Section 118, subdivision (b), provides that the suspension, expiration, surrender or cancellation of a license shall not deprive the Board of jurisdiction to proceed with a disciplinary action during the period within which the license may be renewed, restored, reissued or reinstated.
  - 5. Section 477, states, in part, that:
- "(b) 'License' includes certificate, registration or other means to engage in a business or profession regulated by this code."
  - 6. Section 5063, states, in the pertinent part:
- "(a) A licensee shall report to the board in writing of the occurrence of any of the following events occurring on or after January 1, 1997, within 30 days of the date the licensee has knowledge of these events:

"(3) The cancellation, revocation, or suspension of the right to practice as a certified public accountant or a public accountant before any governmental body or agency.

"(b) A licensee shall report to the board in writing the occurrence of any of the following events occurring on or after January 1, 2003, within 30 days of the date the licensee has knowledge of the events:

"(3) Any notice of the opening or initiation of a formal investigation of the licensee by the Securities and Exchange Commission or its designee. . . . ."

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- 7. Section 5070.7 states, in pertinent part:
- "(a) A permit that is not renewed within five years following its expiration may not be renewed, restored, or reinstated thereafter, and the certificate of the holder of the permit shall be canceled immediately upon expiration of the five-year period, . . .
- "(b) A partnership or corporation whose certificate has been canceled by operation of this section may obtain a new certificate and permit only if it again meets the requirements set forth in this chapter relating to registration and pays the registration fee and initial permit fee. . . ."
  - 8. Section 5100 states:

"After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

"(g) Willful violation of this chapter or any rule or regulation promulgated by the board

under the authority granted under this chapter.

- "(h) Suspension or revocation of the right to practice before any governmental body or agency.
- "(I) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation. . . ."
  - 9. Corporations Code section 1903 states, in pertinent part:
- "(b) When a voluntary proceeding for winding up has commenced, the board shall continue to act as a board and shall have full powers to wind up and settle its affairs, both before and after the filing of the certificate of dissolution. . . ."

10. Corporations Code section 2009, subdivision (a), states:

"Whenever in the process of winding up a corporation any distribution of assets has been made, otherwise than under an order of court, without prior payment or adequate provision for payment of any of the debts and liabilities of the corporation, any amount so improperly distributed to any shareholder may be recovered by the corporation. Any of such shareholders may be joined as defendants in the same action or brought in on the motion of any other defendant."

- 11. Corporations Code section 2010 states, in pertinent part:
- "(a) A corporation which is dissolved nevertheless continues to exist for the purpose of winding up its affairs, prosecuting and defending actions by or against it and enabling it to collect and discharge obligations, dispose of and convey its property and collect and divide its assets, but not for the purpose of continuing business except so far as necessary for the winding up thereof.
- "(b) No action or proceeding to which a corporation is a party abates by the dissolution of the corporation or by reason of proceedings for winding up and dissolution thereof. . . ."
- 12. Sarbanes-Oxley Act of 2002 section 102, subdivision (a), prohibits any person that is not a registered public accounting firm with the Public Company Accounting Oversight Board (PCAOB) from preparing or issuing or participating in the preparation or issuance of any audit report with respect to any public company after October 22, 2003. (Pub.L. No. 107-204 July 30, 2002, 116 Stat.745, codified in 15 U.S.C. §§ 7201 et seq.).

### **COST RECOVERY**

13. Section 5107, subdivision (a), states:

"The executive officer of the board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorneys' fees.

The board shall not recover costs incurred at the administrative hearing."

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## SEC DISCIPLINARY ACTION

- 14. On or about December 2, 2004, Respondent was not registered with the PCAOB and, therefore, lacked the requisite qualifications to represent others and issue an audit report for a public company. VALCAPX Acquisition Corporation was a public company. Respondent prepared and issued an audit report for its client, VALCAPX, for the fiscal years ended June 30, 2002, 2003, and 2004, dated December 2, 2004 (Audit Report).
- 15. On or about December 9, 2004, VALCAPX filed with the United States Securities and Exchange Commission (SEC) its Form 10-KSB, which included the Audit Report prepared by Respondent.
- 16. On or about September 13, 2007, the SEC issued an Order Instituting Administrative Proceedings Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, and Notice of Hearing against Respondent in the proceeding entitled *In the Matter of Choi Dow Ian Hong & Lee Accountancy Corporation, et al*, Administrative Proceeding File No. 3-12790. The action was initiated from Respondent issuing the Audit Report for VALCAPX.
- 17. On or about July 29, 2008, in SEC Accounting and Auditing Enforcement Release No. 2849, Administrative Proceeding File No. 3-12790, the SEC issued an Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice which denied Respondent the privilege of appearing or practicing before the SEC as an accountant.

## FIRST CAUSE FOR DISCIPLINE

# (SEC Denial to Practice)

18. Respondent is subject to disciplinary action under section 5100, subdivision (h), on the grounds of unprofessional conduct, in that on or about July 29, 2008, Respondent was denied the privilege to practice before the SEC. Complainant refers to and by this reference incorporates the allegations set forth above in paragraphs 18-21, inclusive, as though set forth fully.

## SECOND CAUSE FOR DISCIPLINE

## (Discipline Imposed Against Licensee)

19. Respondent is subject to disciplinary action under section 5100, subdivision (l), on the grounds of unprofessional conduct, in that on or about July 29, 2008, the SEC under the Sarbanes-Oxley Act of 2002 imposed discipline, penalty, or sanction on Respondent. Complainant refers to and by this reference incorporates the allegations set forth above in paragraphs 18 - 22, inclusive, as though set forth fully.

## THIRD CAUSE FOR DISCIPLINE

## (Failure to Report SEC Action)

20. Respondent is subject to disciplinary action under sections 5100, subdivision (g), and 5063, subdivision (b)(3), on the grounds of unprofessional conduct, in that Respondent failed to report to the Board the occurrence of the SEC instituting administrative proceedings against it on or about September 13, 2007, under Administrative Proceeding File No. 3-12790. Complainant refers to and by this reference incorporates the allegations set forth above in paragraphs 18 - 23, inclusive, as though set forth fully.

#### FOURTH CAUSE FOR DISCIPLINE

#### (Failure to Report SEC Disciplinary Order)

21. Respondent is subject to disciplinary action under sections 5100, subdivision (g), and 5063, subdivision (a)(3), on the grounds of unprofessional conduct, in that Respondent failed to report to the Board the SEC's imposition of discipline against Respondent on or about July 29, 2008, SEC Accounting and Auditing Enforcement Release No. 2849, Administrative Proceeding File No. 3-12790. Complainant refers to and by this reference incorporates the allegations set forth above in paragraphs 18 - 24, inclusive, as though set forth fully.

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## <u>PRAYER</u>

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

- 1. Revoking or suspending or otherwise imposing discipline upon Certified Public Accountancy Corporation Certificate No. COR 4132, issued to Choi, Dow, Ian, Hong & Lee, CPA's, A Professional Corporation;
- 2. Ordering Respondent to pay the California Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 5107;
  - 3. Taking such other and further action as deemed necessary and proper.

DATED: Sephmbn 20,200 LATT BOWERS

PATTI BOWERS
Executive Officer

California Board of Accountancy
Department of Consumer Affairs

State of California Complainant

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